

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
HAZARDOUS SUBSTANCE
COST RECOVERY ACCOUNT (HSCRA)

Sheet 2

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(Continued)

Insurance Carrier Recovery (Continued)

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- k. A credit entry is recorded to Subaccount B equal to the lesser of 90% of the remaining insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, not applied in entry i. and j. above or the balance in Subaccount B.
- l. A credit entry is recorded to Subaccount A for the lesser of 10% of the remaining insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, not applied in entry i. and j. above or 11.111% of the insurance recoveries net of contingency fees paid to attorneys to obtain recoveries, if any, recorded in Subaccount B.
- m. A debit entry is recorded to Subaccount E equal to the sum of insurance recoveries allocated to Subaccount A through D in entries i. through l. above.
- n. A debit entry is recorded to Subaccount E, 72 months after receiving a specific insurance recovery for one-fifth or 20% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- o. If an entry is recorded for entry n. above, a credit entry is recorded to Subaccount A for 60% of entry n. to recognize the ratepayer's portion of the insurance recovery. The difference between entries n. and o. or 40% of entry n. is the Utility's share of the insurance recovery.
- p. A debit entry is recorded to Subaccount E, 84 months after receiving a specific insurance recovery for one-fourth or 25% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- q. If an entry is recorded for entry p. above, a credit entry is recorded to Subaccount A for 60% of entry p. to recognize the ratepayer's portion of the insurance recovery. The difference between entries p. and q. or 40% of entry p. is the Utility's share of the insurance recovery.
- r. A debit entry is recorded to Subaccount E, 96 months after receiving a specific insurance recovery for one-third or 33.333% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- s. If any entry is recorded for entry r. above, a credit entry is recorded to Subaccount A for 60% of entry r. to recognize the ratepayer's portion of the insurance recovery. The difference between entries r. and s. or 40% of entry r. is the Utility's share of the insurance recovery.
- t. A debit entry is recorded to Subaccount E, 108 months after receiving a specific insurance recovery for one-half or 50% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- u. If an entry is recorded for entry t. above, a credit entry is recorded to Subaccount A for 60% of entry t. to recognize the ratepayer's portion of the insurance recovery. The difference between entries t. and u. or 40% of entry t. is the Utility's share of the insurance recovery.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3653
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Aug 15, 2006
 EFFECTIVE Sep 14, 2006
 RESOLUTION NO. _____

